

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



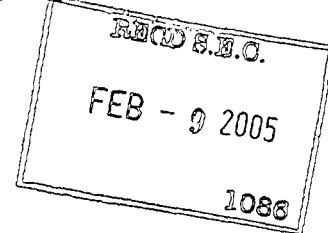
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Form CB

TENDER OFFER/RIGHTS OFFERING NOTIFICATION FORM

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to file this Form:

- Securities Act Rule 801 (Rights Offering) ☐
Securities Act Rule 802 (Exchange Offer) ☒
Exchange Act Rule 13e-4(h)(8) (Issuer Tender Offer) ☐
Exchange Act Rule 14d-1(c) (Third Party Tender Offer) ☐
Exchange Act Rule 14e-2(d) (Subject Company Response) ☐
Filed or submitted in paper if permitted by Regulation S-T Rule 101(b)(8) ☐



Kabushiki Kaisha Konami Computer Entertainment Studios

(Names of Subject Companies)

Konami Computer Entertainment Studios, Inc.

(Translation of Subject Company's Names into English (if applicable))

Japan

(Jurisdiction of Subject Company's Incorporation or Organization)

Konami Corporation

(Names of Person(s) Furnishing Form)

Common Stock

(Title of Class of Subject Securities)

N/A

(CUSIP Number of Class of Securities (if applicable))

**Noriaki Yamaguchi
4-1 Marunouchi 2-chome
Chiyoda-ku
Tokyo 100-6330
Japan
(81-3) 5220-0573**

PROCESSED

FEB 14 2005

**THOMSON
FINANCIAL**

(Names, Addresses (including zip code) and Telephone Numbers (including area code) of Person(s)
Authorized to Receive Notices and Communications on Behalf of Subject Company)

with a copy to:

**John D. Young, Jr.
Sullivan & Cromwell LLP
Otemachi First Square
5-1, Otemachi 1-chome
Chiyoda-ku
Tokyo**

Page 1 of 55

(81-3) 3213-6140

N/A

(Date Tender Offer/Rights Offering Commenced)

PART I — INFORMATION SENT TO SECURITY HOLDERS

Item 1. *Home Jurisdiction Documents*

(a) The following document is attached as an exhibit to this Form:

Exhibit number	Description
1	English translation of the Notice, dated February 7, 2005 of the Extraordinary General Meeting of Shareholders of Konami Computer Entertainment Studios, Inc. concerning approval of the merger agreement between Konami Corporation, and Konami Computer Entertainment Studios, Inc., Konami Computer Entertainment Tokyo, Inc. and Konami Computer Entertainment Japan, Inc.

(b) Not applicable.

Item 2. *Informational Legends*

A legend complying with Rule 802(b) under the Securities Act of 1933, as amended, is included in the English translation of the Notice of the Extraordinary Meeting of Shareholders distributed to the U.S. shareholders of Konami Computer Entertainment Studios, Inc.

PART II — INFORMATION NOT REQUIRED TO BE SENT TO SECURITY HOLDERS

Not applicable.

PART III — CONSENT TO SERVICE OF PROCESS

Konami Corporation is filing with the Commission a written irrevocable consent and power of attorney on Form F-X concurrently with the furnishing of this Form.

PART IV — SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Konami Corporation

By /s/ Noriaki Yamaguchi

Name: Noriaki Yamaguchi

Title: Representative Director
and Chief Financial Officer

Date: February 7, 2005

-3-

To Shareholders in the United States

The exchange offer or business combination referred to in this document is made for the securities of a foreign company. The offer is subjected to the disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its offices and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

February 7, 2005

Dear Shareholder,

You are cordially invited to attend an Extraordinary General Meeting of Shareholders, which will be held as described hereunder.

If you are unable to attend the meeting, please review the reference materials contained herein and exercise your voting rights either by returning to us by mail the enclosed voting form or via the Internet. Please exercise your voting right by **Monday, February 21, 2005**.

Sincerely yours,

Kuniaki Kinoshita
President and Representative Director
KONAMI COMPUTER ENTERTAINMENT
STUDIOS, INC.
10-1, Roppongi 6-chome, Minato-ku, Tokyo
106-6112

MEETING AGENDA

1. Date and Time: 10:00 a.m., Tuesday, February 22, 2005
2. Venue: Kings Square, Forum 8, 10-7, Dogenzaka 2-chome Shibuya-ku, Tokyo
(Please be aware that the venue is different from that of the ordinary general meeting of shareholders)
3. Agenda: Proposal
Agenda To approve the merger agreement among Konami Corporation, Konami Computer Entertainment Studios, Inc., Konami Computer Entertainment Tokyo, Inc. and Konami Computer Entertainment Japan, Inc.

For details about the proposal, please refer to "Reference Materials Concerning the Exercise of Voting Rights" on pages from 3 to 47.

* If attending the meeting, please hand in the voting form enclosed with these materials to the receptionist at the Meeting.

Procedures for Voting

If you are unable to attend the meeting, you may exercise your voting right by following one of the procedures described below.

Voting by Mail

To vote by mail, please indicate on the enclosed voting form your approval or disapproval of the proposal, affix your seal, and return the completed form to us. All forms must be received no later than **Monday, February 21, 2005**.

Online voting procedures

1. Shareholders may only exercise their voting rights online through the dedicated voting website designated by the Company. Please note that this voting website may not be accessed by mobile phone.
Voting website URL: <http://www.webdk.net>
2. Shareholders choosing to exercise their voting rights online need to use the voting code and password specified on the enclosed voting form. Once you have entered the site, please vote for or against the resolution by following the instructions on screen.
3. Online votes may be accepted up to **Monday, February 21, 2005**. However, shareholders are kindly requested to register online votes as early as possible to facilitate the counting of online votes.
4. If you duplicate your vote, i.e., if you exercise your voting rights both by mail and via the Internet, we will consider only the Internet vote to be valid.
5. If you vote multiple times via the Internet, we will consider only the final vote to be valid.
6. Any connection fees to the Internet providers or time charges (telephone charges, etc.) incurred by shareholders in exercising votes online are to be borne by the shareholders.

—System requirements for online voting

The following systems are required to access to the voting website.

- (1) Internet access.
- (2) The site supports the following browser software: Microsoft® Internet Explorer 5.5 or above as well as Netscape® 6.2 or above.
- (3) The site supports any hardware platform running the software specified above. (Microsoft® is a registered trademark in the United States and other countries of Microsoft Corporation of the U.S. Netscape® is a registered trademark in the United States and certain other countries of Netscape Communications Corporation.)

Reference Materials Relating to the Exercise of Voting Rights

1. Number of voting rights held by all shareholders: 290,492
2. Agenda and background

Agenda

To approve the merger agreement among Konami Corporation, Konami Computer Entertainment Studios, Inc., Konami Computer Entertainment Tokyo, Inc. and Konami Computer Entertainment Japan, Inc.

1. Reasons for the merger

At present, in the Computer & Video Games Business Segment of the Konami Group, us, Konami Computer Entertainment Studios, Inc. Konami Computer Entertainment Tokyo, Inc. and Konami Computer Entertainment Japan, Inc., all of which are subsidiaries of Konami Corporation (hereinafter collectively referred to as the “Three Production Companies”) are responsible for the production of game software while Konami Corporation, as a publisher, commercializes the game software and sells the games via sales subsidiaries in the group. After the merger, Konami Corporation will take over the roles of the Three Production Companies. As a result, Konami Corporation will undertake all functions as a game software publisher, ranging from product planning and production to the acquisition of merchandising rights and sales promotion, which will enable us to be faster and more flexible in decision making.

In addition, this merger will lead to the integration of creators and the sharing of know-how in software production, which currently separately belong to the Three Production Companies. This will allow Konami group to concentrate more our management resources on the online games business and other businesses with future growth prospects. At the same time, it will further increase the synergy between the Amusement Business Segment and the Toy & Hobby Business Segment.

2. Contents of the Merger Agreement

Merger Agreement (Copy)

Konami Corporation (hereinafter referred to as “Konami”), Konami Computer Entertainment Studios, Inc. (hereinafter referred to as “Konami STUDIO”), Konami Computer Entertainment Tokyo, Inc. (hereinafter referred to as “Konami TYO”) and Konami Computer Entertainment Japan, Inc. (hereinafter referred to as “Konami JPN”) entered into a merger agreement (hereinafter referred to as the “Merger Agreement”).

Article 1 (Method of the Merger)

Konami, Konami STUDIO, Konami TYO and Konami JPN shall engage in a merger where Konami is the surviving entity and Konami STUDIO, Konami TYO and Konami JPN are to be dissolved (the “Merger”).

As of the same date, Konami is scheduled to merge with Konami Online, Inc. where Konami is the surviving entity and Konami Online, Inc. is to be dissolved. Konami STUDIO, Konami TYO and Konami JPN are aware of the Merger.

Article 2 (Merger Date)

The date of merger shall be April 1, 2005 (the “Merger Date”); provided, however, that such date may be changed upon consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN where necessary in light of the status of the merger procedures or for any other reason.

Article 3 (Shares to be Issued upon Merger and Allotment thereof)

Konami shall allot, upon the Merger, to the shareholders (which term, whenever used herein, includes the beneficial owners) listed or registered on the final register of shareholders (which term, whenever used herein, includes the register of beneficial shareholders) of each of Konami STUDIO, Konami TYO and Konami JPN, as of the date immediately preceding the Merger Date, 0.42 share, 1.00 share and 0.81 share of Konami’s common stock, respectively, per share of common stock of Konami STUDIO, Konami TYO and Konami JPN, respectively; provided, however, that no allotment shall be made in respect of 9,747,000 shares of common stock of Konami STUDIO, 9,207,550 shares of common stock of Konami TYO and 9,000,000 shares of common stock of Konami JPN held by Konami.

Article 4 (Increases in Paid-in Capital and Capital Reserve)

1. The amounts of paid-in capital, earned surplus reserve, legal reserve and other retained earnings of Konami to be increased upon the Merger shall be as follows; provided, however, such amounts may be changed upon consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN, depending on the financial positions of Konami STUDIO, Konami TYO and Konami JPN as of the Merger Date.

(1) Paid-in Capital

None

(2) Earned Surplus Reserve

The amount calculated by subtracting the amounts obtained pursuant to Items 3 and 4 of Paragraph 1 of Article 288-2 of the Commercial Code of Japan from the excess amount obtained pursuant to Item 5 of the same article (hereinafter referred to as the "Gain on Merger").

(3) Legal Reserve

The total amount of respective legal reserve of Konami STUDIO, Konami TYO and Konami JPN as of the Merger Date.

(4) Voluntary Reserve and Other Retained Earnings

The total amount of respective voluntary reserves and other retained earnings of Konami STUDIO, Konami TYO and Konami JPN as of the Merger Date; provided, however, the amounts to be allocated to various capital accounts shall be determined upon consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN.

2. If the Gain on the Merger does not reach the sum of the amounts described in Items (3) and (4) in the preceding paragraph, the amount of increase will be deducted, first from Item (3) and then from Item (4) down to the amount of the Gain on the Merger.

Article 5 (Extraordinary general meeting of shareholders for approval)

Konami, Konami STUDIO, Konami TYO and Konami JPN shall each convene their respective extraordinary general meetings of shareholders for approval of the merger (hereinafter referred to as the "Shareholders' Meetings") on February 22, 2005 to ask for the approval of the Merger Agreement and for resolution on matters necessary thereto; provided, however, that such date may be changed upon consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN where necessary in light of the proceeding of the merger procedures or for any other reason.

Article 6 (Succession of Properties)

As of the Merger Date, Konami STUDIO, Konami TYO and Konami JPN shall transfer to Konami and Konami shall succeed from each of them any and all assets, liabilities, rights and obligations based on the balance sheets and other accountings as of September 30, 2004, after making adjustments for the period up to the Merger Date.

Article 7 (Dividend Calculation Commencement Date)

The calculation of the profit dividend on shares to be issued pursuant to Article 3 shall commence on the Merger Date.

Article 8 (Supplemental Cash Consideration)

Konami shall pay, not later than three months from the Merger Date, cash payments to be delivered in connection with the Merger in lieu of dividends for the period from April 1, 2004 to March 31, 2005 to the shareholders or registered pledgees listed on the final register of shareholders of each of Konami STUDIO, Konami TYO and Konami JPN as of the date immediately preceding the Merger Date, ¥8 per share, ¥39.5 per share and ¥31 per share, for each share of common stock of Konami STUDIO, Konami TYO and Konami JPN, respectively; provided, however, that such amounts may be changed upon consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN, depending on the financial conditions of Konami STUDIO, Konami TYO and Konami JPN or other changes in the economic environment as of the date immediately preceding the Merger Date.

Article 9 (Submission of Share Certificates, etc.)

In relation to the Merger, the certificates of shares of Konami STUDIO, Konami TYO and Konami JPN shall all be submitted to Konami STUDIO, Konami TYO and Konami JPN, respectively.

Article 10 (Management of Properties, etc.)

During the period from the date of the execution of the Merger Agreement up to the Merger Date, Konami, Konami STUDIO, Konami TYO and Konami JPN shall execute their business operations and manage and operate their properties with the due diligence of a good manager and no action that may have any material effect on their respective properties or rights and obligations shall be taken, without prior consultation and agreement among Konami, Konami STUDIO, Konami TYO and Konami JPN.

Article 11 (Treatment of Employees)

With effect from the date of the merger, all employees of Konami STUDIO, Konami TYO and Konami JPN as of that date shall become employees of Konami. The length of service for Konami STUDIO, Konami TYO and Konami JPN shall be regarded as the length of service for Konami. Other working conditions shall be determined through consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN.

Article 12 (Terms of office of Konami's corporate auditors who took office prior to the Merger)

Terms of office of corporate auditors of Konami who took office prior to the Merger shall not be affected by the Merger, and they shall remain in office for the respective terms stipulated at their inauguration.

Article 13 (Cost of dissolution)

Konami shall bear the costs to be incurred in relation with the dissolution of Konami STUDIO, Konami TYO and Konami JPN on and after the Merger Date.

Article 14 (Amendments to the Terms of the Merger and Termination of the Merger Agreement)

In case there shall be any material change in the financial condition or operational condition of any of Konami, Konami STUDIO, Konami TYO and Konami JPN or any events that materially impair the ability of the parties to consummate the Merger due to natural disaster or any other reasons during the period from the date of execution of the Merger Agreement up to the Merger Date, Konami, Konami STUDIO, Konami TYO and Konami JPN may amend the terms of the Merger or terminate the Merger Agreement pursuant to consultation among them.

Article 15 (Effect of the Merger Agreement)

The Merger Agreement shall become null and void in case the approvals of the Shareholders' Meetings or the approvals of the pertinent government authorities necessary to fulfill the Merger Agreement as required by laws and regulations are not obtained.

Article 16 (Consultation)

Any matter necessary for the Merger other than as specified in the Merger Agreement shall be determined upon consultation among Konami, Konami STUDIO, Konami TYO and Konami JPN in accordance with the purpose of the Merger Agreement.

IN WITNESS WHEREOF, Konami, Konami STUDIO, Konami TYO and Konami JPN have affixed their respective signatures and seals to execute this Agreement in quadruplicate, keeping one copy each.

December 16, 2004

Konami Corporation:
Kagemasa Kozuki (sealed)
President and Representative Director
Konami Corporation
4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo

Konami Computer Entertainment Studios, Inc.:
Kuniaki Kinoshita (sealed)
President and Representative Director
Konami Computer Entertainment Studios, Inc.
10-1, Roppongi 6-chome, Minato-ku, Tokyo

Konami Computer Entertainment Tokyo, Inc.:
Michihiro Ishizuka (sealed)
President and Representative Director
Konami Computer Entertainment Tokyo, Inc.
8-10, Harumi 1-chome, Chuo-ku, Tokyo

Konami Computer Entertainment Japan, Inc.:
Motoyuki Yoshioka (sealed)
President and Representative Director
Konami Computer Entertainment Japan, Inc.
10-1, Roppongi 6-chome, Minato-ku, Tokyo

(Supplemental information)

With respect to the supplemental cash consideration specified in Article 8, the amounts of ¥8 per share, ¥39.5 per share and ¥31 per share for each of Konami STUDIO, Konami TYO and Konami JPN's common stock, respectively, are derived based on the 50% of forecasted net income for the current fiscal year minus the amount of interim dividend, as each company has a policy for a dividend payout ratio of 50%. In case there are discrepancies in the actual net income of the company, which is expected to become fixed at the end of April 2005, and the forecasted number, the amount of the supplemental cash consideration will fluctuate in line with the above dividend policy and the basis for the calculation will be 50% of the net income of each company minus the interim dividend.

3. Explanation of the merger ratio stipulated in Item 2, Paragraph 1, Article 408-2 of the Commercial Code of Japan

Statement of Reasons for Determination of the Merger Ratio (Copy)

Konami Corporation (hereinafter referred to as "Konami") has entered into a Merger Agreement scheduled to take effect on April 1, 2005 with Konami Computer Entertainment Studios, Inc. (hereinafter referred to as "Konami STUDIO"), Konami Computer Entertainment Tokyo, Inc. (hereinafter referred to as "Konami TYO") and Konami Computer Entertainment Japan, Inc. (hereinafter referred to as "Konami JPN"), all of which are subsidiaries of Konami (hereinafter collectively referred to as the "Three Production Companies"). In connection with this merger, Konami has determined the merger ratio as follows.

1. Prior to the negotiations with the Three Production Companies to determine the merger ratios, in order to ensure fairness and appropriateness, Konami asked Daiwa Securities SMBC Co., Ltd. (hereinafter referred to as "Daiwa SMBC") as a third-party organization, to calculate the merger ratios that would serve as a basic reference for negotiations and discussions between Konami and the Three Production Companies.
2. In response to this request, Daiwa SMBC performed an analysis and evaluated share values of each of Konami and the Three Production Companies using the market share price method, discounted cash flow method (DCF) and multiple method, and calculated the potential merger ratio taking into account the overall results of the evaluation of each method and submitted the results to Konami.
3. Meanwhile, the Three Production Companies asked Ernst & Young Corporate Advisory (hereinafter referred to as "E&Y"), as a third party organization, to calculate the merger ratios.

[Results of calculations by the two third-party organizations]

	Konami	Konami STUDIO	Konami TYO	Konami JPN
Daiwa SMBC	1	0.39-0.42	0.88-1.03	0.74-0.81
E&Y	1	0.420-0.430	0.935-1.027	0.796-0.841

4. Based on the above results of calculations and negotiations among Konami and the Three Production Companies, it has been determined that 0.42 share, 1 share and 0.81 share of common stock of Konami is to be allotted for each share of the common stock of Konami STUDIO, Konami TYO and Konami JPN, respectively. Konami has received an opinion from Daiwa SMBC, dated January 19, 2005, to the effect that the merger ratio specified in the Merger Agreement is fair from the financial standpoint of Konami's shareholders.

End

4. Balance sheets and statements of income of the companies involved in the merger pursuant to Items 3 to 6, Paragraph 1, Article 408-2 of the Commercial Code of Japan

Konami Corporation
Interim Balance Sheet

As of September 30, 2004

(Millions of yen)

ASSETS:	
Current assets	¥ 74,566
Cash and cash equivalents	32,470
Trade accounts receivable	15,195
Inventories	6,592
Other	20,474
Allowance for bad debts	(167)
Fixed assets	105,013
Tangible fixed assets	2,392
Intangible fixed assets	6,830
Investments and other assets	95,791
Investment securities	89,231
Other	6,685
Allowance for bad debts	(125)
Total assets	¥ 179,580
LIABILITIES:	
Current liabilities	¥ 36,814
Trade notes payable	5,887
Trade accounts payable	8,721
Current portion of long-term debt	912
Current portion of straight bonds	15,000
Income taxes payable	134
Other	6,157
Long-term liabilities	37,253
Straight bonds	30,000
Long-term debt	4,428
Allowance for directors' and corporate auditors' retirement benefits	1,354
Allowance for loss incurred by subsidiaries	1,430
Long-term deposits received	41
Total liabilities	74,067
SHAREHOLDERS' EQUITY:	
Common stock	47,398
Capital surplus	47,106
Additional paid-in capital	23,608
Other capital reserves	23,498
Retained earnings	38,395
Voluntary earned surplus	29,094
Unappropriated earned surplus	9,300
Unrealized gain on available-for-sale securities	1
Treasury stock	(27,389)
Total shareholders' equity	105,512
Total liabilities and shareholders' equity	¥ 179,580

Konami Corporation
Interim Statement of Income

Six months ended September 30, 2004

(Millions of yen)

Net revenues	¥ 58,350
Costs and expenses	57,709
Cost of revenues	46,423
Selling, general and administrative expenses	11,286
Operating income	640
Non-operating income	3,339
Non-operating expenses	295
Ordinary income	3,684
Extraordinary losses	12
Income before income taxes	3,673
Income taxes	
Current	672
Deferred	234
Net income	2,766
Unappropriated earned surplus carried forward	6,534
Unappropriated earned surplus	¥ 9,300

Summary of Significant Accounting Policies

1. Methods and standards for the valuation of assets

(1) Marketable and investment securities

Securities in subsidiaries and affiliated companies are stated at cost based on the moving average method.

Available-for-sale securities:

With market quotations: stated at the fair market value based on market prices as of the Balance Sheet date for the interim account settlement. (Unrealized gains/losses are directly charged to shareholders' equity and the cost of securities is calculated using the moving average method.)

Without market quotations: stated at cost based on the moving average method.

(2) Derivatives

Stated at fair value.

(3) Inventories

Finished products and raw materials and supplies are stated at cost determined by the moving average method.

Work in process consisting of hardware products is stated at cost determined by the moving average method while work in process consisting of software products is stated at cost determined by specific identification method.

2. Depreciation methods

Tangible fixed assets are depreciated mainly using the declining balance method while intangible fixed assets are amortized mainly using the straight-line method. For in-house software, amortization is computed using the straight-line method based on the estimated useful life of 5 years.

Long-term prepaid expenses are amortized using the straight-line method.

3. Accounting standards for material reserves

(1) Allowance for bad debts

Generally, allowance for bad debts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

(2) Allowance for employees' retirement benefits (Prepaid pension costs)

Provided in an amount deemed necessary as of the Balance Sheet date for the interim account settlement based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Unrecognized net transition asset or obligation is amortized over 13 years. Unrecognized actuarial net gain/loss will be amortized from the following fiscal year within the average remaining service period of 13 years on a straight-line basis.

(3) Allowance for directors' and corporate auditors' retirement benefits

To provide for the payment of special retirement allowances to directors and corporate auditors, the amount is calculated based on the amount to be paid as of the Balance Sheet date for the interim account settlement in line with internal regulations.

(4) Allowance for loss incurred by subsidiaries

To provide for losses incurred at subsidiaries, the amount is the expected loss amount, calculated based on the basis of the financial condition of each subsidiary.

4. Translation of foreign-currency denominated assets and liabilities

Foreign-currency denominated monetary claims and obligations are translated into Japanese yen using the foreign exchange rates prevailing on the Balance Sheet date for the interim account settlement and relevant gains/losses are charged to income/expenses.

5. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

6. Other material accounting policies

Consumption tax is excluded from the stated amount of revenue and expenses.

Notes to Interim Balance Sheet

1. Consumption tax

Suspense receipts and payments of consumption taxes are offset against each other, and the net amount is posted under “Other” in the current assets.

2. Accumulated depreciation of tangible fixed assets: ¥3,306 million

3. Guarantee obligations

The Company has guaranteed obligations for repayment of borrowings made by affiliated company Konami Software Shanghai, Inc.

¥87 million (US\$785 thousand)

Notes to Interim Statement of Income

1. Main components of non-operating income

Interest income: ¥35 million

Dividend income: ¥3,199 million

Foreign exchange gains: ¥57 million

2. Main components of non-operating expenses

Bond interest expense: ¥200 million

3. Main components of extraordinary losses

Loss on sale or disposal of fixed assets: ¥12 million

4. Depreciation and amortization

Tangible fixed assets: ¥464 million

Intangible fixed assets: ¥285 million

Konami Computer Entertainment Studios, Inc.

Interim Balance Sheet

As of September 30, 2004

(Thousands of yen)

ASSETS:	
Current assets	
Cash and cash equivalents	¥ 7,174,969
Trade accounts receivable	1,989,079
Work in process	417,567
Advance payments	4,104,693
Other	456,925
	206,703
Fixed assets	
Tangible fixed assets	2,653,667
Intangible fixed assets	353,255
Investments and other assets	1,610,173
Lease deposits	690,238
Other	582,906
	107,332
Total assets	¥ 9,828,636
LIABILITIES:	
Current liabilities	
Trade notes payable	¥ 4,181,631
Trade accounts payable	48,957
Other accounts payable	130,110
Income taxes payable	397,969
Advance received	264,978
Other	3,089,394
	250,220
Total liabilities	4,181,631
SHAREHOLDERS' EQUITY:	
Common stock	
Capital surplus	1,213,050
Additional paid-in capital	1,520,958
Other capital reserves	1,520,957
	1
Retained earnings	
Appropriated earned surplus	3,322,910
Unappropriated earned surplus	55,321
	3,267,588
Treasury stock	(409,913)
Total shareholders' equity	5,647,005
Total liabilities and shareholders' equity	¥ 9,828,636

Konami Computer Entertainment Studios, Inc.

Interim Statement of Income

Six months ended September 30, 2004

(Thousands of yen)

Net revenues	¥ 4,292,336
Costs and expenses	3,866,507
Cost of revenues	3,196,349
Selling, general and administrative expenses	670,158
Operating income	425,827
Non-operating income	4,047
Non-operating expenses	1,040
Ordinary income	428,835
Extraordinary losses	2,782
Income before income taxes	426,052
Income taxes	
Current	202,683
Deferred	47,614
Net income	175,754
Unappropriated earned surplus carried forward	3,091,833
Unappropriated earned surplus	¥ 3,267,588

Summary of Significant Accounting Policies

1. Valuation of inventories

Finished products: stated at cost based on the moving average method.

Work in process: stated at cost based on individual assessments.

2. Depreciation methods

- (1) Tangible fixed assets: depreciated using the declining balance method over the useful lives of 3 to 15 years for buildings and structures and 4 to 15 years for tools and fixtures.
- (2) Intangible fixed assets: amortized using the straight-line method for in-house-use software based on an estimated useful life of 5 years. Goodwill is evenly amortized over 5 years and other intangible fixed assets are amortized using the straight-line method.
- (3) Long-term prepaid expenses: amortized using the straight-line method.

3. Accounting standards for material reserves

Allowance for retirement benefits (Prepaid pension costs)

Allowance for retirement benefits are provided in an amount deemed necessary as of the Balance Sheet date for the interim account settlement based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Transition obligations of ¥17,798 thousand are credited to expenses over 13 years on a straight-line basis. Unrecognized actuarial gain/loss shall be amortized over 13 years, which is shorter than the average remaining service period of employees using the straight-line method beginning with the following fiscal year when the actuarial gain/loss is recognized.

4. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

5. Other material accounting policies

Consumption tax is excluded from the stated amount of revenue and expenses.

Suspense receipts and payments of consumption taxes are offset against each other, and the net amount is posted under "Other" in the current liabilities.

Note to Interim Balance Sheet

Accumulated depreciation of tangible fixed assets:	¥744,924 thousand
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Notes to Interim Statement of Income

1. Main components of non-operating expenses

Interest expense:	¥385 thousand
Commissions paid:	¥655 thousand

2. Main components of extraordinary losses

Loss on disposal of buildings and structures:	¥2,295 thousand
Loss on sale or disposal of tools and fixtures:	¥413 thousand

3. Depreciation and amortization

Tangible fixed assets:	¥53,462 thousand
Intangible fixed assets:	¥241,395 thousand

Konami Computer Entertainment Tokyo, Inc.
Interim Balance Sheet

As of September 30, 2004

(Thousands of yen)

ASSETS:

Current assets

Cash and cash equivalents	¥ 16,058,460
Trade accounts receivable	11,129,229
Inventories	888,539
Deferred tax assets	2,592,834
Other	1,273,368
	174,488

Fixed assets

Tangible fixed assets	691,125
Intangible fixed assets	259,943
Investments and other assets	69,767
Lease deposits	361,414
Other	306,133
	55,280

Total assets

¥ 16,749,586

LIABILITIES:

Current liabilities

Trade accounts payable	¥ 4,247,635
Other accounts payable	233,282
Income taxes payable	919,060
Advance received	1,635,830
Other	1,074,461
	385,000

Total liabilities

4,247,635

SHAREHOLDERS' EQUITY:

Common stock

2,323,100

Capital surplus

4,204,140

Additional paid-in capital

4,204,095

Other capital reserves

45

Retained earnings

6,983,858

Appropriated earned surplus

40,448

Unappropriated earned surplus

6,943,410

Treasury stock

(1,009,148)

Total shareholders' equity

12,501,950

Total liabilities and shareholders' equity

¥ 16,749,586

Konami Computer Entertainment Tokyo, Inc.
Interim Statement of Income

Six months ended September 30, 2004

(Thousands of yen)

Net revenues	¥ 8,684,992
Costs and expenses	5,224,842
Cost of revenues	4,818,614
Selling, general and administrative expenses	406,227
Operating income	3,460,149
Non-operating income	8,726
Non-operating expenses	2,350
Ordinary income	3,466,526
Extraordinary losses	11,087
Income before income taxes	3,455,438
Income taxes	
Current	1,591,649
Deferred	(179,530)
Net income	2,043,319
Unappropriated earned surplus carried forward	4,900,091
Unappropriated earned surplus	¥ 6,943,410

Summary of Significant Accounting Policies

1. Valuation of inventories

Finished products: stated at cost based on the moving average method.

Work in process: stated at cost based on individual assessments.

2. Depreciation methods

(1) Tangible fixed assets: depreciated using the declining balance method over the useful lives of 3 to 15 years for buildings and structures and 2 to 20 years for tools and fixtures.

(2) Intangible fixed assets: amortized using the straight-line method for in-house-use software and intellectual property rights based on an estimated useful life of 5 years.

3. Accounting standards for material reserves

Allowance for retirement benefits (Prepaid pension costs)

Allowance for retirement benefits are provided in an amount deemed necessary as of the Balance Sheet date for the interim account settlement based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Transition obligations of ¥32,907 thousand are credited to expenses over 13 years on a straight-line basis. Unrecognized actuarial gain/loss shall be amortized over 13 years, which is shorter than the average remaining service period of employees using the straight-line method beginning with the following fiscal year when the actuarial gain/loss is recognized.

4. Translation of foreign-currency denominated assets and liabilities

Money claims and obligations denominated in foreign currencies are translated into Japanese yen using exchange rates prevailing on the Balance Sheet date for the interim account settlement. Gains/losses on translation are credited/charged to expenses.

5. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

6. Other material accounting policies

Consumption tax is excluded from the stated amount of revenue and expenses.

Suspense receipts and payments of consumption taxes are offset against each other, and the net amount is posted under "Other" in the current liabilities.

Note to Interim Balance Sheet

Accumulated depreciation of tangible fixed assets: ¥630,034 thousand

Notes to Interim Statement of Income

1. Main component of extraordinary losses

Loss on sale or disposal of tools and fixtures: ¥11,087 thousand

2. Depreciation and amortization

Tangible fixed assets: ¥44,138 thousand

Intangible fixed assets: ¥25,856 thousand

Konami Computer Entertainment Japan, Inc.
Interim Balance Sheet

As of September 30, 2004

(Thousands of yen)

ASSETS:

Current assets

Cash and cash equivalents	¥ 13,035,016
Trade accounts receivable	8,617,547
Work in process	709,158
Deferred tax assets	2,805,271
Other	685,877
	217,160

Fixed assets

Tangible fixed assets	1,088,639
Intangible fixed assets	413,421
Investments and other assets	122,277
Lease deposits	552,940
Other	407,951
	144,989

Total assets

¥ 14,123,655

LIABILITIES:

Current liabilities

Trade accounts payable	¥ 895,321
Other accounts payable	153,054
Income taxes payable	138,134
Other	48,334
	555,798

Total liabilities

895,321

SHAREHOLDERS' EQUITY:

Common stock

3,366,528

Capital surplus

4,257,226

Additional paid-in capital

4,257,203

Other capital reserves

22

Retained earnings

6,476,260

Appropriated earned surplus

81,204

Unappropriated earned surplus

6,395,056

Treasury stock

(871,680)

Total shareholders' equity

13,228,334

Total liabilities and shareholders' equity

¥ 14,123,655

Konami Computer Entertainment Japan, Inc.

Interim Statement of Income

Six months ended September 30, 2004

(Thousands of yen)

Net revenues	¥ 2,068,560
Costs and expenses	1,632,705
Cost of revenues	1,098,624
Selling, general and administrative expenses	534,080
Operating income	435,854
Non-operating income	2,895
Non-operating expenses	1,415
Ordinary income	437,335
Extraordinary losses	5,688
Income before income taxes	431,646
Income taxes	1,900
Current	1,900
Deferred	191,796
Net income	237,950
Unappropriated earned surplus carried forward	6,157,105
Unappropriated earned surplus	¥ 6,395,056

Summary of Significant Accounting Policies

1. Valuation of inventories

Finished products: stated at cost based on the moving average method.

Work in process: stated at cost based on individual assessments.

2. Depreciation methods

(1) Tangible fixed assets: depreciated using the declining balance method over the useful lives of 3 to 15 years for buildings and structures and 4 to 8 years for tools and fixtures.

(2) Intangible fixed assets: amortized using the straight-line method. In particular, in-house-use software and intellectual property rights are amortized using the straight-line method based on an estimated useful life of 5 years.

3. Accounting standards for material reserves

Allowance for retirement benefits (Prepaid pension costs)

Allowance for retirement benefits are provided in an amount deemed necessary as of the Balance Sheet date for the interim account settlement, based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Transition obligations are credited to expenses over 13 years on a straight-line basis. Unrecognized actuarial gain/loss shall be amortized over 13 years, which is shorter than the average remaining service period of employees using the straight-line method beginning with the following fiscal year when the actuarial gain/loss is recognized.

4. Translation of foreign-currency denominated assets and liabilities

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen using exchange rates prevailing on the Balance Sheet date for the interim account settlement. Gains/losses on translation are credited/ charged to expenses.

5. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

6. Other material accounting policies

Consumption tax is excluded from the stated amount of revenue and expenses.

Notes to Interim Balance Sheet

1. Accumulated depreciation of tangible fixed assets: ¥779,631 thousand
2. Accounting for consumption tax
Suspense receipts and payments of consumption taxes are offset against each other, and the net amount is included in "Other" under current assets, due to the amount being immaterial.

Notes to Interim Statement of Income

1. Main component of non-operating income
Interest income: ¥46 thousand
2. Main component of non-operating expenses
Commissions paid: ¥1,415 thousand
3. Main component of extraordinary losses
Loss on sale or disposal of tools and fixtures: ¥5,688 thousand
4. Seasonal fluctuation in sales
In the consumer software industry, which is the Company's principal business field, consumer demand tends to concentrate on the Christmas-New Year holiday season. Accordingly, the breakdown of our revenue from operations is usually not proportional with a much larger share for the 2nd half period.
5. Depreciation and amortization
Tangible fixed assets: ¥71,330 thousand
Intangible fixed assets: ¥82,471 thousand

Konami Corporation
Balance Sheet

As of March 31, 2004

(Millions of yen)

ASSETS:

Current assets

	¥ 81,362
Cash and cash equivalents	40,216
Trade accounts receivable	12,673
Finished products	4,287
Raw materials and supplies	1,076
Work in process	2,597
Advance payments	4,753
Prepaid expenses	1,051
Deferred tax assets	8,143
Short-term loans to subsidiaries	4,170
Other accounts receivable	1,799
Other	733
Allowance for bad debts	(139)

Fixed assets

	101,669
Tangible fixed assets	2,087
Buildings improvement	358
Structures	2
Machinery	0
Transportation equipment	5
Tools and fixtures	1,721
Intangible fixed assets	3,112
In-house software	1,411
In-house software development in progress	1,670
Other	30
Investments and other assets	96,469
Investment securities	348
Investments in subsidiaries and affiliates	88,369
Long-term loans to subsidiaries	3,098
Receivables from customers in bankruptcy proceedings	82
Long-term prepaid expenses	76
Deferred tax assets	1,854
Lease deposits	2,734
Other	11
Allowance for bad debts	(106)

Total assets

¥ 183,031

LIABILITIES:

Current liabilities

	¥ 22,306
Trade notes payable	6,310
Trade accounts payable	7,829
Current portion of long-term debt	912
Other accounts payable	3,876
Accrued expenses	3,045
Income taxes payable	190
Short-term deposits received	84
Other	57

Long-term liabilities

	52,709
Straight bonds	45,000
Long-term debt	4,884
Allowance for directors' and corporate auditors' retirement benefits	1,354
Allowance for loss incurred by subsidiaries	1,430
Long-term deposits received	41

Total liabilities	75,015
SHAREHOLDERS' EQUITY:	
Common stock	47,398
Capital surplus	47,106
Additional paid-in capital	23,608
Other capital reserves	23,498
Gain on reduction of capital or capital reserves	23,498
Retained earnings	39,176
Appropriated earned surplus	24,301
Reserve for advanced depreciation	206
General reserve	24,094
Voluntary earned surplus	14,875
Treasury stock	(25,665)
Total shareholders' equity	108,016
Total liabilities and shareholders' equity	¥ 183,031

Konami Corporation
Statement of Income

Year ended March 31, 2004

(Millions of yen)

Net revenues	¥ 146,654
Costs and expenses	133,350
Cost of revenues	111,073
Selling, general and administrative expenses	22,277
Operating income	13,303
Non-operating income	4,227
Interest and dividend income	3,891
Foreign exchange gains	23
Other	313
Non-operating expenses	620
Interest expense	93
Bond interest expense	400
Other	125
Ordinary income	16,910
Extraordinary income	1,468
Gain on sale of investment securities	1,300
Gain on reversal of allowance for bad debts	168
Extraordinary losses	2,383
Loss on sale or disposal of fixed assets	2,212
Valuation loss of investment securities	49
Loss on liquidation of investments in subsidiary	121
Income before income taxes	15,996
Income taxes	
Current	711
Deferred	4,903
Net income	10,381
Unappropriated earned surplus carried forward	5,583
Transfer from legal reserve	2,163
Interim cash dividends	3,253
Unappropriated earned surplus	¥ 14,875

Summary of Significant Accounting Policies

1. Methods and standards for the valuation of assets

(1) Marketable and investment securities

Securities in subsidiaries and affiliated companies are stated at cost based on the moving average method. Other investment securities—unquoted securities are stated at cost based on the moving average method.

(2) Derivatives

Stated at fair value.

(3) Inventories

Finished products and raw materials and supplies are stated at cost determined by the moving average method.

Work in process consisting of hardware products is stated at cost determined by the moving average method while work in process consisting of software products is stated at cost determined by the specific identification method.

2. Depreciation methods

Tangible fixed assets are depreciated mainly using the declining balance method while intangible fixed assets are amortized mainly using the straight-line method. For in-house software, amortization is computed using the straight-line method based on the estimated useful life of 5 years.

3. Accounting standards for material reserves

(1) Allowance for bad debts

Generally, allowance for bad debts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

(2) Allowance for employees' retirement benefits (Prepaid pension costs)

Provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Unrecognized net transition asset or obligation is amortized over 13 years. Unrecognized actuarial net gain or loss will be amortized from the following fiscal year within the average remaining service period of 13 years on a straight-line basis.

(3) Allowance for directors' and corporate auditors' retirement benefits

Reserved as per Article 43, of the Commercial Code to provide for the payment of special retirement allowances to directors and corporate auditors. The amount is calculated based on the amount to be paid at the end of the term as per internal regulations.

(4) Allowance for loss incurred by subsidiaries

Reserved as per Article 43, of the Commercial Code to provide for losses incurred at subsidiaries. The amount is the expected loss amount, calculated based on the financial condition of each subsidiary.

4. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

5. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

6. Others

The presentation of financial statements has been changed from the year ended March 2004 in line with amendments to regulations governing the Commercial Code (Ministerial Ordinance No. 23, Ministry of Justice; March 30, 2004). These changes refer to the application of rules governing exemptions for affiliates under Article 48, Section 1 of the Commercial Code to the presentation of certain parts of the financial statements, based on the provisions of Article 197, Section 1 of the Commercial Code.

Changes in Method of Presentation

(Balance Sheet)

- (1) From the year ended March 31, 2004, amounts previously listed within current assets under "advances" (totaling ¥469 million as of March 31, 2004) have been included within current assets under "other."
- (2) From the year ended March 31, 2004, amounts of "Structures" previously included as "Buildings and structures" (totalling ¥265 million as of March 31, 2003) have been listed separately as "Structures."

Additional Information

Pursuant to the Amendments to the Local Tax Laws of 2003, the capital-based enterprise tax on corporation becomes effective from the fiscal year commencing on or after April 1, 2004, which lowered the statutory tax rate from 42.0% to 40.7% for the income-based enterprise tax on corporation.

This change has no material effect on our financial statements.

Notes to Balance Sheet

1. Monetary assets and liabilities in relation to subsidiaries and affiliated companies

Short-term assets:	¥22,872 million
Short-term liabilities:	¥4,137 million
Long-term assets:	¥4,365 million
Long-term liabilities:	¥39 million

2. Accumulated depreciation of tangible fixed assets ¥3,017 million

3. Major leased assets

In addition to tangible fixed assets shown on the balance sheet, computers used for R&D and production, and some office equipment are leased.

4. Guarantees ¥57 million

5. Number of outstanding shares and treasury stock

Total shares outstanding at end of term:	128,737,566 shares
Number of own shares held at end of term:	8,254,314 shares

Notes to Statement of Income

1. Transactions with subsidiaries and affiliated companies

Revenues:	¥143,966 million
Purchases:	¥41,436 million
Selling, general and administrative expenses:	¥4,012 million
Non-operating transactions:	¥10,107 million

2. Net income per share: ¥83.71

Konami Computer Entertainment Studios, Inc.

Balance Sheet

As of March 31, 2004

(Thousands of yen)

ASSETS:

Current assets

Cash and cash equivalents	¥ 7,041,100
Trade accounts receivable	2,289,091
Work in process	623,291
Advance payments	3,352,073
Prepaid expenses	494,508
Deferred tax assets	66,293
Other	129,386
	86,454

Fixed assets

Tangible fixed assets	2,863,065
Buildings and structures	387,585
Tools and fixtures	123,538
Intangible fixed assets	264,047
Goodwill	1,789,272
In-house software	1,583,573
Telephone subscription rights	201,324
Other	2,124
Investments and other assets	2,249
Long-term prepaid expenses	686,206
Deferred tax assets	13,337
Lease deposits	90,131
	582,737

Total assets

¥ 9,904,165

LIABILITIES:

Current liabilities

Trade notes payable	¥ 4,121,436
Trade accounts payable	45,006
Other accounts payable	214,155
Accrued expenses	272,901
Income taxes payable	360,101
Advance received	323,615
Other	2,885,845
	19,809

Total liabilities

4,121,436

SHAREHOLDERS' EQUITY:

Common stock

1,213,050

Capital surplus

Additional paid-in capital	1,520,957
	1,520,957

Retained earnings

Appropriated earned surplus	3,387,707
Unappropriated earned surplus	55,321
	3,332,385

Treasury stock

(338,986)

Total shareholders' equity

5,782,728

Total liabilities and shareholders' equity

¥ 9,904,165

Konami Computer Entertainment Studios, Inc.

Statement of Income

Year ended March 31, 2004

(Thousands of yen)

Net revenues	¥ 9,549,907
Costs and expenses	8,612,409
Cost of revenues	7,300,233
Selling, general and administrative expenses	1,312,176
Operating income	937,497
Non-operating income	8,133
Interest income	3
Other	8,130
Non-operating expenses	4,059
Interest expense	2,517
Commissions paid	1,542
Ordinary income	941,571
Extraordinary losses	17,026
Loss on disposal of fixed assets	17,026
Income before income taxes	924,545
Income taxes	
Current	495,983
Deferred	(19,591)
Net income	448,153
Unappropriated earned surplus carried forward	2,884,232
Unappropriated earned surplus	¥ 3,332,385

Summary of Significant Accounting Policies

1. Valuation of inventories

Finished products: stated at cost based on the moving average method.

Work in process: stated at cost based on individual assessments.

2. Depreciation methods

- (1) Tangible fixed assets: depreciated using the declining balance method over the useful lives of 3 to 15 years for buildings and structures and 4 to 15 years for tools and fixtures.
- (2) Intangible fixed assets: amortized using the straight-line method for in-house-use software and intellectual property rights based on an estimated useful life of 5 years. Goodwill is evenly amortized over 5 years and other intangible fixed assets are amortized using the straight-line method.
- (3) Long-term prepaid expenses: amortized using the straight-line method.

3. Accounting standards for material reserves

Allowance for employees' retirement benefits (Prepaid pension costs)

Provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end.

Transition obligations of ¥17,798 thousand are credited to expenses over 13 years on a straight-line basis.

Unrecognized actuarial gain/loss shall be amortized over 13 years, which is shorter than the average remaining service period of employees using the straight-line method beginning with the following fiscal year when the actuarial gain/loss is recognized.

4. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

5. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

6. Others

The presentation of financial statements has been changed with effect from the year ended March 31, 2004 in line with amendments to regulations governing the Commercial Code (Ministerial Ordinance No. 23, Ministry of Justice; March 30, 2004).

Notes to Balance Sheet

- 1. Amounts less than ¥1,000 are omitted.
- 2. Short-term monetary claims on and obligations to the shareholder holding the majority voting rights
 - Short-term monetary claims: ¥507,711 thousand
 - Short-term monetary obligations: ¥3,037,880 thousand
- 3. Accumulated depreciation of tangible fixed assets: ¥702,181 thousand
- 4. Major leased assets

In addition to tangible fixed assets shown on the balance sheet, computers used for production of contents are leased.

Notes to Statement of Income

- 1. Amounts less than ¥1,000 are omitted.
- 2. Transactions with the shareholder holding the majority voting rights
 - Operating transactions:
 - Operating revenues: ¥8,550,941 thousand
 - Operating expenses: ¥273,446 thousand
 - Non-operating transactions: ¥127,428 thousand
- 3. Net income per share: ¥30.02

Tax-effect Accounting

1. Breakdown of deferred tax assets and liabilities

	(Thousands of yen)
CURRENT:	
Deferred tax assets	
Other accounts payable	¥ 3,614
Accrued enterprise tax	28,552
Accrued expenses	109,888
Total	142,055
Deferred tax liabilities	
Prepaid pension cost	12,668
Total	12,668
Net deferred tax assets	¥ 129,386
NON-CURRENT:	
Deferred tax assets	
Tools and fixtures	¥ 677
Intellectual property rights	87,829
Other	1,625
Total	¥ 90,131

2. Breakdown of difference between the normal statutory tax rate and the effective tax rate

Statutory tax rate (Reconciliation)	42.0%
Amortization of goodwill not recognized as expenses for taxation purposes	18.0
Tax loss carryforwards due to merger	(10.2)
Other	1.7
Effective tax rate under tax-effect accounting	51.5%

3. Pursuant to the Amendments to the Local Tax Laws of 2003, the capital-based enterprise tax on corporation becomes effective from the fiscal year commencing on or after April 1, 2004, which lowered the statutory tax rate from 42.0% to 40.7% for the income-based enterprise tax on corporation.

This change has no material effect on our financial statements.

Retirement and Pension Plans

1. Outline of our retirement benefit plan

The Company has established a qualified retirement pension plan as well as a welfare pension plan under the defined benefit pension plan.

2. Breakdown of retirement benefit obligation (as of March 31, 2004)

	(Thousands of yen)
Projected benefit obligation	¥ (270,167)
Fair value of plan assets	339,345
Prepaid pension cost	(31,126)
Net pension assets	38,052
(Breakdown of net pension assets)	
Unappropriated transitional gain	12,322
Unrecognized actuarial gain	25,730
Total	¥ 38,052

(Note) The Company is a member of an industry-wide welfare pension fund, under which member companies are allowed to carry out exceptional treatment for retirement benefit obligations in line with Article 33 of the relevant guideline on accounting. As of March 31, 2004, the balance of the pension assets of the fund attributable to the Company in proportion to the number of eligible employees is ¥543,696 thousand, which is not included in the net pension assets above. The Company had contributed to the fund in the amount of ¥53,063 thousand as of that date (excluding the portion contributed by employees).

3. Periodic benefit costs for the term ended March 31, 2004

	(Thousands of yen)
Service cost	¥ 24,832
Interest cost	2,543
Expected return on plan assets	(5,652)
Recognition of transitional gain	(1,369)
Recognized actuarial gain	(251)
Net periodic benefit costs	¥ 20,102

4. Assumptions used for calculation of retirement benefit obligation

Discount rate:	1.4%
Expected rate of return on plan assets:	2.0%
Method utilized for periodic allocation of estimated retirement benefits:	fixed amount allocation
Amortization period of transitional obligation:	13 years
Recognition period of actuarial gain/loss:	13 years

(The gain will be recognized and the loss will be amortized over a period that is shorter than the remaining averaged service period of the employees, using the fixed amount method beginning with the term following that when the loss in question is recognized.)

Konami Computer Entertainment Tokyo, Inc.

Balance Sheet

As of March 31, 2004

(Thousands of yen)

ASSETS:

Current assets

Cash and cash equivalents	¥ 13,682,818
Trade accounts receivable	9,634,873
Work in process	136,675
Prepaid expenses	2,631,245
Deferred tax assets	70,369
Other	1,099,255
	110,399

Fixed assets

Tangible fixed assets	763,570
Buildings and structures	307,779
Tools and fixtures	101,626
Intangible fixed assets	206,152
In-house software	94,661
Telephone subscription rights	72,047
Intellectual property rights	1,031
Investments and other assets	21,582
Deferred tax assets	361,129
Lease deposits	49,862
	311,266

Total assets

¥ 14,446,389

LIABILITIES:

Current liabilities

Trade notes payable	¥ 2,333,276
Trade accounts payable	18,901
Other accounts payable	209,608
Accrued expenses	565,109
Income taxes payable	275,885
Consumption tax payable	914,201
Advance received	150,312
Short-term deposits received	186,480
	12,777

Total liabilities

2,333,276

SHAREHOLDERS' EQUITY:

Common stock

2,323,100

Capital surplus

4,204,095

Additional paid-in capital

4,204,095

Retained earnings

6,297,860

Appropriated earned surplus

40,448

Unappropriated earned surplus

6,257,412

Treasury stock

(711,942)

Total shareholders' equity

12,113,112

Total liabilities and shareholders' equity

¥ 14,446,389

Konami Computer Entertainment Tokyo, Inc.

Statement of Income

Year ended March 31, 2004

(Thousands of yen)

Net revenues	¥ 12,917,880
Costs and expenses	8,391,144
Cost of revenues	7,693,133
Selling, general and administrative expenses	698,010
Operating income	4,526,736
Non-operating income	46,209
Interest income	63
Foreign exchange gains	39,244
Commissions received	895
Other	6,005
Non-operating expenses	3,337
Commissions paid	3,337
Ordinary income	4,569,607
Extraordinary losses	4,554
Loss on disposal of fixed assets	4,554
Income before income taxes	4,565,053
Income taxes	
Current	2,022,795
Deferred	(81,360)
Net income	2,623,619
Unappropriated earned surplus carried forward	3,633,793
Unappropriated earned surplus	¥ 6,257,412

Summary of Significant Accounting Policies

1. Valuation of inventories

Finished products: stated at cost based on the moving average method.

Work in process: stated at cost based on individual assessments.

2. Depreciation methods

(1) Tangible fixed assets: depreciated using the declining balance method over the useful lives of 3 to 15 years for buildings and structures and 2 to 20 years for tools and fixtures.

(2) Intangible fixed assets: amortized using the straight-line method for in-house-use software and intellectual property rights based on an estimated useful life of 5 years.

3. Accounting standards for material reserves

Allowance for employees' retirement benefits (Prepaid pension costs)

Provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end.

Transition obligations of ¥32,907 thousand are credited to expenses over 13 years on a straight-line basis.

Unrecognized actuarial gain/loss shall be amortized over 13 years, which is shorter than the average remaining service period of employees using the straight-line method beginning with the following fiscal year when the actuarial gain/loss is recognized.

4. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

5. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

6. Others

The presentation of financial statements has been changed with effect from the year ended March 31, 2004 in line with amendments to regulations governing the Commercial Code (Ministerial Ordinance No. 23, Ministry of Justice; March 30, 2004).

Notes to Balance Sheet

1. Short-term monetary claims on and obligations to the shareholder holding the majority voting rights	
Short-term monetary claims:	¥128,755 thousand
Short-term monetary obligations:	¥342,991 thousand
2. Accumulated depreciation of tangible fixed assets:	¥630,591 thousand

Notes to Statement of Income

1. Transactions with the shareholder holding the majority voting rights	
Operating revenues:	¥12,893,556 thousand
Operating expenses:	¥514,735 thousand
Non-operating transactions:	¥63,000 thousand
2. Net income per share:	¥180.34

Tax-effect Accounting

1. Breakdown of deferred tax assets and liabilities

	<u>(Thousands of yen)</u>
CURRENT:	
Deferred tax assets	
Inventories	¥ 897,059
Accrued expenses	85,866
Accrued enterprise tax	81,212
Other	47,040
Total	<u>1,111,178</u>
Deferred tax liabilities	
Retirement benefit costs	<u>11,922</u>
Total	<u>11,922</u>
Net deferred assets	<u>¥ 1,099,255</u>
NONCURRENT:	
Deferred tax assets	
Intangible assets	¥ 39,906
Assets subject to lump-sum amortization	7,843
Other	2,112
Total	<u>¥ 49,862</u>

2. Pursuant to the Amendments to the Local Tax Laws of 2003, the capital-based enterprise tax on corporation becomes effective from the fiscal year commencing on or after April 1, 2004, which lowered the statutory tax rate from 42.0% to 40.7% for the income-based enterprise tax on corporation.

This change has no material effect on our financial statements.

Retirement and Pension Plans

1. Outline of our retirement benefit plan

The Company, jointly with its parent company and companies belonging to the Konami Group, has established a qualified retirement pension plan as well as a welfare pension plan under the defined benefit pension plan.

2. Breakdown of retirement benefit obligation

	(Thousands of yen)
a. Projected benefit obligation	¥ (258,180)
b. Fair value of plan assets (note)	324,288
c. Unfunded benefit obligations (a + b)	66,108
d. Unrecognized transitional loss	(22,782)
e. Unrecognized actuarial loss	(14,031)
f. Unrecognized prior service obligations (reduction in obligations)	nil
g. Balance-sheet amount (c + d + e + f)	29,294
h. Prepaid pension cost	29,294
i. Net pension assets (g - h)	nil

(Note) The Company is a member of an industry-wide welfare pension fund, under which member companies are allowed to carry out exceptional treatment for retirement benefit obligations in line with Article 33 of the relevant guideline on accounting. As of March 31, 2004, the balance of the pension assets of the fund attributable to the Company in proportion to the number of eligible employees is ¥404,934 thousand, which is not included in the net pension assets above. The Company had contributed to the fund in the amount of ¥41,745 thousand as of that date (excluding the portion contributed by employees).

3. Periodic benefit costs for the term ended March 31, 2004

	(Thousands of yen)
Service cost	¥ 21,892
Interest cost	2,242
Expected return on plan assets	(4,983)
Recognized transitional gain	(2,531)
Amortization of actuarial loss	1,069
Net periodic benefit costs	¥ 17,689

4. Assumptions used for calculation of retirement benefit obligation

Method utilized for periodic allocation of estimated retirement benefits: fixed amount allocation

Discount rate: 1.4%

Expected rate of return on plan assets: 2.0%

Recognition period of actuarial gain/loss: 13 years

(The gain will be recognized and the loss will be amortized over a period that is shorter than the remaining averaged service period of the employees, using the fixed amount method beginning with the term following that when the loss in question is recognized.)

Recognition period for transitional gain: 13 years

Konami Computer Entertainment Japan, Inc.

Balance Sheet

As of March 31, 2004

(Thousands of yen)

ASSETS:**Current assets**

Cash and cash equivalents	¥ 14,567,074
Trade accounts receivable	10,990,058
Work in process	816,601
Advance payments	1,747,113
Prepaid expenses	16,957
Deferred tax assets	61,423
Other	894,433
	40,487

Fixed assets

Tangible fixed assets	1,210,724
Buildings and structures	476,143
Tools and fixtures	111,193
Intangible fixed assets	364,949
In-house software	198,401
Telephone subscription rights	50,310
Intellectual property rights	1,198
Investments and other assets	146,892
Deferred tax assets	536,180
Lease deposits	128,229
	407,951

Total assets

¥ 15,777,799

LIABILITIES:**Current liabilities**

Trade accounts payable	¥ 1,829,918
Other accounts payable	306,440
Accrued expenses	201,779
Income taxes payable	258,919
Consumption tax payable	720,241
Advance received	11,186
Other	310,838
	20,512

Total liabilities

1,829,918

SHAREHOLDERS' EQUITY:**Common stock**

3,366,528

Capital surplus

4,257,203

Additional paid-in capital

4,257,203

Retained earnings

6,989,189

Appropriated earned surplus

81,204

Unappropriated earned surplus

6,907,985

Treasury stock

(665,039)

Total shareholders' equity

13,947,881

Total liabilities and shareholders' equity

¥ 15,777,799

Konami Computer Entertainment Japan, Inc.

Statement of Income

Year ended March 31, 2004

(Thousands of yen)

Net revenues	¥ 8,581,197
Costs and expenses	6,014,387
Cost of revenues	4,762,147
Selling, general and administrative expenses	1,252,240
Operating income	2,566,809
Non-operating income	1,737
Interest income	88
Other	1,648
Non-operating expenses	2,183
Commissions paid	1,558
Other	624
Ordinary income	2,566,363
Extraordinary losses	31,507
Loss on sale or disposal of fixed assets	6,617
Expenses for relocation of office	24,889
Income before income taxes	2,534,855
Income taxes	
Current	971,825
Deferred	109,423
Net income	1,453,606
Unappropriated earned surplus carried forward	5,454,390
Loss on disposal of treasury stock	(11)
Unappropriated earned surplus	¥ 6,907,985

Summary of Significant Accounting Policies

1. Valuation of inventories

Finished products: stated at cost based on the moving average method.

Work in process: stated at cost based on individual assessments.

2. Depreciation methods

- (1) Tangible fixed assets: depreciated using the declining balance method over the useful lives of 3 to 15 years for buildings and structures and 4 to 8 years for tools and fixtures.

During the reporting term, the Company amalgamated its two offices to establish a new one at Roppongi, Tokyo. Accordingly, the Company posted depreciation expenses for disposed facilities attached to buildings in a proportional amount to the period until the move, based on the estimated useful lives of the facilities as of the previous term-end.

- (2) Intangible fixed assets: amortized using the straight-line method for in-house-use software and intellectual property rights based on an estimated useful life of 5 years.

3. Accounting standards for material reserves

Allowance for employees' retirement benefits (Prepaid pension costs)

Liabilities for retirement benefits are provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Transition obligations of ¥18,212 thousand are credited to expenses over 13 years on a straight-line basis.

Unrecognized actuarial gain/loss shall be amortized over 13 years, which is shorter than the average remaining service period of employees using the straight-line method beginning with the following fiscal year when the actuarial gain/loss is recognized.

4. Leases

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

5. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

6. Others

The presentation of financial statements has been changed with effect from the year ended March 31, 2004 in line with amendments to regulations governing the Commercial Code (Ministerial Ordinance No. 23, Ministry of Justice; March 30, 2004).

Notes to Balance Sheet

1. Short-term monetary claims on and obligations to the shareholder holding the majority voting rights

Short-term monetary claims:	¥817,978 thousand
Short-term monetary obligations:	¥436,063 thousand

2. Accumulated depreciation of tangible fixed assets: ¥747,312 thousand

3. Major leased assets

In addition to tangible fixed assets shown on the balance sheet, computers used for production of contents as well as office equipment are leased.

4. Number of the Company's ordinary shares issued and held in treasury

Ordinary shares issued:	14,424,000 shares
Ordinary shares held in treasury:	404,590 shares

Notes to Statement of Income

1. Transactions with the shareholder holding the majority voting rights

Operating revenues:	¥8,551,752 thousand
Operating expenses:	¥233,433 thousand
Non-operating transactions:	¥65,614 thousand

2. Net income per share: ¥101.43

Tax-effect Accounting

1. Breakdown of deferred tax assets and liabilities

	(Thousands of yen)
CURRENT:	
Deferred tax assets	
Denial on accrued enterprise tax	¥ 66,342
Denial on accrued expenses	82,227
Denial on valuation of loss on work in process	10,175
Loss resulting from amortization of software exceeding maximum amount	739,149
Other	2,161
Total	900,054
Deferred tax liabilities	
Provision for retirement benefit costs	(5,622)
Total	(5,622)
Net deferred tax assets	¥ 894,433
NON-CURRENT:	
Deferred tax assets	
Losses resulting from amortization of assets in lump-sum exceeding maximum amount	¥ 10,400
Losses resulting from amortization of intellectual property rights exceeding maximum amount	117,828
Total	¥ 128,229

2. The effective tax rate

Description of difference between the statutory tax rate and the effective tax rate is omitted as the difference is smaller than one-fifth of the statutory tax rate.

3. Pursuant to the Amendments to the Local Tax Laws of 2003, the capital-based enterprise tax on corporation becomes effective from the fiscal year commencing on or after April 1, 2004, which lowered the statutory tax rate from 42.0% to 40.7% for the income-based enterprise tax on corporation.

This change has no material effect on our financial statements.

Retirement and Pension Plans

1. Outline of our retirement benefit plan

The Company, jointly with its parent company and companies belonging to the Konami group, has established a qualified retirement pension plan as well as a welfare pension plan under the defined benefit pension plan.

2. Breakdown of retirement benefit obligation

	(Thousands of yen)
a. Projected benefit obligation	¥ (132,306)
b. Fair value of plan assets (note)	166,183
c. Unfunded benefit obligations (a + b)	33,877
d. Unrecognized transitional obligations	(12,609)
e. Unrecognized actuarial loss	(7,455)
f. Prepaid pension cost (c + d + e)	¥ 13,814

(Note) The Company is a member of an industry-wide welfare pension fund, under which member companies are allowed to carry out exceptional treatment for retirement benefit obligations in line with Article 33 of the relevant guideline on accounting. As of March 31, 2004, the balance of the pension assets of the fund attributable to the Company in proportion to the number of eligible employees is ¥348,167 thousand, which is not included in the net pension assets above. The Company had contributed to the fund in the amount of ¥31,479 thousand as of that date (excluding the portion contributed by employees).

3. Periodic benefit costs for the term ended March 31, 2004

	(Thousands of yen)
Service cost	¥ 10,177
Interest cost	1,042
Expected return on plan assets	(2,317)
Recognition of transitional gain	(1,400)
Amortization of actuarial loss	600
Net periodic benefit costs	¥ 8,101

4. Assumptions used for calculation of retirement benefit obligation

Discount rate:	1.4%
Expected rate of return on plan assets:	2.0%
Method utilized for periodic allocation of estimated retirement benefits:	fixed amount allocation
Amortization period of actuarial loss:	13 years
(The gain will be recognized and the loss will be amortized over a period that is shorter than the remaining averaged service period of the employees, using the fixed amount method beginning with the term following that when the loss in question is recognized.)	
Recognition period for transitional gain:	13 years